

Message Text

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ACTION FBOE-00

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P R 111614Z JAN 78
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC PRIORITY 2655
AMEMBASSY MOSCOW
INFO AMEMBASSY BERLIN
AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY PRAGUE
AMEMBASSY SOFIA

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FOR A/FBO, EUR/EX, AND EUR/EE

EO 11652: NA
TAGS: ABLD AFSP PDIP
SUBJ: PROPOSED PROTEST OF IMPENDING MASSIVE RENT INCREASE

REF: 77 WARSAW 9099 (NOTAL)

1. SUMMARY: ADMINISTRATIVE OFFICERS OF ELEVEN WESTERN EMBASSIES MET JANUARY 6 TO DISCUSS THE MINISTERIAL DECREE OF OCTOBER 25, 1977 (SEE REF), UNDER WHICH RENTS PAID BY FOREIGNERS, INCLUDING EMBASSIES, ARE TO INCREASE TO BETWEEN 250 AND 400PERCENT OF CURRENT RATES, EFFECTIVE APRIL 1, 1978. THEY AGREED THAT THE INCREASE FAR EXCEEDS WHAT COULD BE JUSTIFIED BY OTHER PROPERTY VALUES OR

COSTS OF COMMUNAL SERVICES AND MUST THEREFORE BE SEEN PRIMARILY AS AN ATTEMPT TO INCREASE POLISH GOVERNMENT HARD-CURRENCY REVENUES BY CAPITALIZING ON THE GOVERNMENT'S POSITION AS A MONOPOLY RENTAL AGENT. THERE WAS GENERAL AGREEMENT ON THE DESIRABILITY OF A CO-LIMITED OFFICIAL USE

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ORDINATED PROTEST TO THE MFA AT THE AMBASSADORIAL LEVEL AGAINST DISCRIMINATORY AND CONFISCATORY RENT INCREASES WHICH VIOLATE THE LETTER AND SPIRIT OF THE VIENNA CONVENTION. END SUMMARY.

2. THE NEW DECREE (JOURNAL OF LAWS NO. 34, ITEM 150) APPLIES ONLY TO PREMISES LEAASED BY DIPLOMATIC AND CONSULAR OFFICES AND PERSONNEL AND TO OTHER "HARD-CURRENCY FOREIGNERS." UNDER THE

DECREE, SUCH TENANTS MAY LEASE ONLY THROUGH POLISH ADMINISTRATIVE ENTERPRISES SUCH AS PUMA. RENTAL RATES FOR HOUSING ARE TO BE SET BETWEEN 150 AND 230 ZLOTYS PER SQUARE METER PER MONTH, COMPARED WITH CURRENT RATES OF 60 ZLOTYS PER MONTH. TENANTS HAVE BEGUN TO RECEIVE NOTICES, REQUIRED BY THE DECREE, OF CANCELLATION OF ALL EXISTING LEASES AS OF THE END OF MARCH, BUT EXACT RATES APPLICABLE TO NEW LEASES HAVE NOT YET BEEN ANNOUNCED. UNDER THE DECREE, THE EXACT RATES ARE TO BE SET BY PUMA, NOT PRIVATE LANDLORDS.

3. THE NEW DECREE PROVIDES FOR REDUCED RENTAL RATES "IF, ON A RECIPROCAL BASIS, PREMISES LEASED ABOARD TO POLISH MISSIONS INVOLVE RATES LOWER THAN CUSTOMARY." COMMENT: REMARKS BY POLISH OFFICIALS SUGGEST THAT THIS A LOOPHOLE TO EXEMPT WARSAW PACT COUNTRIES FROM THE RENT INCREASES. ON MFA OFFICIAL TOLD A WESTERN DIPLOMAT THAT THE NEW DECREE HAD BEEN APPROVED AT A SESSION OF COMECON. END COMMENT.

4. THE NEW DECREE ALSO REQUIRES AN ADVANCE DEPOSIT EQUAL TO THREE MONTHS RENT TO GUARANTEE THE MAINTENANCE OF PREMISES AND BUILDINGS IN AN ADEQUATE CONDITION. DEPOSITS HAVE NOT PREVIOUSLY BEEN REQUIRED. THEY ARE TO BE COLLECTED AND HELD BY PUMA, NOT BY THE INDIVIDUAL LANDLORDS.

5. OFFICIALS OF PUMA AND OTHER POLISH OFFICIALS HAVE HINTED AT THE APPLICATION OF A SPECIAL EXCHANGE RATE FOR THOSE EMBASSIES WHICH PAY THEIR RENTS WITH ZLOTYS PURCHASED FOR HARD CURRENCY. LIMITED OFFICIAL USE

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PREVIOUSLY, THE OFFICIAL RATE, E.G. 19.92 ZLOTYS TO ONE U.S. DOLLAR, HAS APPLIED. SUCH AN ARRANGMENT WOULD NOT BENEFIT THE U.S., WHICH PAYS RENTS WITH THE ZLOTY PROCEEDS OF P.L.-480 SALES, OR COUNTRIES SUCH AS THE U.K. AND FRG, WHICH PAY WITH ZLOTIES OBTAINED AS CONSULAR FEES.

6. ADMINISTRATIVE OFFICERS OF WESTERN EMBASSIES IN WARSAW AGREED JANUARY 6 ON THE NEED FOR A FORMAL PROTEST AT A HIGH LEVEL AND CONSIDERED THE POSSIBILITY OF OTHER ACTION SUCH AS A RENT STRIKE. ANOTHER MEETING HAS BEEN SCHEDULED FOR JANUARY 17, TO GIVE PARTICIPANTS TIME TO CONSULT WITH THEIR AMBASSADORS AND FOREIGN MINISTRIES, QUERY MISSIONS AT OTHER EASTERN EUROPEAN CAPITALS ON THEIR EXPERIENCE WITH RENT PROTESTS AND STRIKES, AND DRAFT PROTEST NOTES.

7. ACTION REQUESTED--DEPARTMENT: WE SEEK THE VIEWS OF THE DEPARTMENT BY COB JANUARY 16 ON AN APPROACH TO THE MFA BY WESTERN AMBASSADORS WHICH WOULD PROTEST THE NEW DECREE ON THE FOLLOWING GROUNDS:

A. CLASS DISCRIMINATION AGAINST FOREIGNERS, INCLUDING EMBASSIES, BY ESTABLISHING RENTAL RATES FOR FOREIGNERS WHICH ARE TEN TO FIFTEEN TIMES AS HIGH AS THOSE WHICH APPLY TO POLISH CITIZENS;

B. DISCRIMINATION AGAINST EMBASSIES OF COUNTRIES WITH FREE-MARKET ECONOMIES AND IN FAVOR OF COUNTRIES WITH SOCIALIZED ECONOMIES BY PROVIDING FOR REDUCED RENTAL RATES FOR COUNTRIES WHICH, LIKE POLAND, CAN, BY GOVERNMENTAL DECREE, ARBITRARILY FIX FAVORABLE RENTAL RATES FOR PREMISES OF SELECTED FOREIGN EMBASSIES;

C. DISCRIMINATION IN FAVOR OF EMBASSIES WHICH PAY RENTS WITH ZLOTYS URCHAHSED FOR HARD CURRENCY, IN THAT RENTAL COSTS FOR SUCH EMBASSIES WILL RISE BY LESS THAN COSTS FOR THE U.S. EMBASSY, WHICH PAYS RENTS WITH ZLOTYS ACQUIRED THORUGH GRAIN SALES TO POLAND;

D. FIXING UNREASONABLY HIGH RENTAL RATES FOR DIPLOMATIC PREMISES, AND THEREBY FAILING TO "FACILITATE THE ACQUISITION" OF PREMISES, AS REQUIRED BY ARTICLE 21 OF THE VIENNA CONVENTION;

E. REQUIRING EMBASSIES TO LEASE PREMISES THOURHG PUMA, FIXING LIMITED OFFICIAL USE

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UNREASONABLY HIGH RENTAL RATES, AND COLLECTING AN UNREASONABLY HIGH PROPORTION (55 PERCENT) OF THE RENT AS TAXES. THE REVENUES WHICH WOULD THEREBY ACCRUE TO THE POLISH GOVERNMENT FAR EXCEED THE VALUE OF ANY SERVICES PERFORMED FOR THE EMBASSIES BY THE GVERNMENT, AND THEREFORE CONSTITUTE A DE FACTO TAX BY THE POLISH GOVERNMENT ON THE PREMISES AND RESIDENCES OF THE EMBASSIES, IN CONTRAVENTION OF ARTICLES 23 AND 34 OF THE VIENNA CONVENTION;

F. COMPULSORY LENDING TO THE POLISH GIVERNMENT THROUGH THE REQUIREMENT FOR LARGE SECURITY DEPOSITS ON PROPERTIES RENTED BY DIPLOMATIC MISSIONS. SINCE THESE DEPOSITS MUST BE PLACED AND REMAIN WITH PUMA -- NOT WITH PROPERTY OWNERS -- AS LONG AS PREMISES ARE LEASED, THEY CONSITUTE, DE FACTO, LARGE, COMPULSORY, LONG-TERM, NON-INTEREST-BEARING LOANS FROM THE SEVERAL GOVERNMENTS TO THE POLISH GIVERNMENT;

G. CONTRAVENTION OF ARTICLE 47 OF THE VIENNA CONVENTION BY DISCRIMINATING AMONG CLASSES OF STATES WITH DIFFERING ECONOMIC SYSTEMS AND DIFFERING SOURCES OF ZLOTY FUNDS, AS DESCRIBED IN POINTS B AND C, ABOVE.

8. ACTION REQUESTED--EMBASSY MOSCOW: PLEASE PROVIDE A BRIEF SUMMARY OF THE RECENT EXPERIENCE OF WESTERN EMBASSIES IN MOSCOW WITH RENT PROTESTS AND RENT STRIKES. SIMILAR INFORMATION WOULD ALSO BE APPRECIATED FROM ADDRESSEES WITH RELEVANT EXPERIENCE IN THIS AREA.

DAVIES

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